



Ministry
of Revenue

George Ashe
Minister

T. M. Russell
Deputy Minister

Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

Number 2-82

Date: May 13, 1982

Pour obtenir cette publication en français, veuillez communiquer avec votre bureau régional de la Taxe de vente au détail.

ONTARIO BUDGET 1982

This Bulletin summarizes changes in the Retail Sales Tax Act, proposed by the Treasurer of Ontario in the Budget of May 13, 1982. Although the majority of these changes are effective immediately, some do not take effect until June 14, 1982.

If you require further information, please contact your local district office listed on the back page of this Bulletin.

The details presented in this Bulletin are intended only as a guideline. For greater accuracy in specific applications, you should refer to the Retail Sales Tax Act and Regulations.

BUDGET HIGHLIGHTS

EFFECTIVE MAY 14, 1982

- ALTERNATE FUEL VEHICLES AND CONVERSION KITS—EXEMPTION EXPANDED
- 7% RETAIL SALES TAX APPLIES TO:
 - Magazines
 - Student supplies
 - Personal hygiene and household cleaning items
 - Household pets
 - Candy, confections, soft drinks and snack foods
 - Flowers, trees, shrubs and plants
 - Clothing patterns and textiles
 - Disposable items used in hotels and motels
 - Building materials for capital works (municipalities, local services boards and volunteer groups)
 - Buses for public transportation
 - Street flushers and street sweepers
 - Building materials for construction contracts (schools, school boards, universities and hospitals)
 - Classroom supplies and equipment (schools, school boards and universities)
 - Miscellaneous items
- CONTRACTORS—FIXED-PRICE CONSTRUCTION CONTRACTS
- SELF-BUILT SOLAR HEATING SYSTEMS—REBATE EXPIRY



EFFECTIVE JUNE 14, 1982

- TRANSIENT ACCOMMODATION—TAX REDUCED TO 5%
- AMERICAN PLAN—5% TAX RATE
- PREPARED FOOD PRODUCTS PROVIDED BY EATING ESTABLISHMENTS—7% TAX RATE
- LABOUR CHARGES FOR INSTALLATION, REPAIR AND MAINTENANCE OF TANGIBLE PERSONAL PROPERTY—7% TAX RATE

TIME OF DELIVERY — NEWLY-TAXED ITEMS

Effective May 14, 1982, a new range of goods and services becomes subject to retail sales tax. However, the 7% tax rate does not apply on newly-taxed, tangible personal property under the following conditions:

- goods purchased were shipped F.O.B. supply point or place of origin, and were in the hands of a common carrier at the purchaser's risk before May 14, 1982
- goods have been sold to the purchaser, physically identified as belonging to him and held at his risk prior to May 14, 1982
- goods are in bond or transit and owned by the purchaser before May 14, 1982.

Relief is granted to a contractor who accepts delivery on or after May 14, 1982 to fulfil a fixed-price construction contract signed before *May 14, 1982*. Such relief will be extended by refund.

This "bridging" provision will also apply to goods or services subject to the 7% tax rate on June 14, 1982.

EFFECTIVE MAY 14, 1982



ALTERNATE FUEL VEHICLES AND CONVERSION KITS — EXEMPTION EXPANDED

Effective May 14, 1982, the existing exemption on the purchase of vehicles requiring license under the Highway Traffic Act and powered exclusively by fuels other than gasoline or diesel oil is expanded. Motor vehicles dual-powered by fossil and alternate fuels are now entitled to the exemption.

The present exemption on conversion kits is also expanded to include kits that transform gasoline or diesel-powered vehicles into dual-powered vehicles using both fossil and alternate fuels.

Alternate fuels include manufactured gas, hydrogen, propane, natural gas, alcohol (methanol, ethanol) and electricity.



MAGAZINES

Effective May 14, 1982, the exemption for magazines is modified to allow only those magazines that are:

- sold by subscription
- purchased for use by schools, universities and public libraries
- distributed only in a newspaper.

Tax applies at the 7% tax rate to all other magazines.

Where magazines are produced for free distribution, tax must be paid on the cost of copies distributed in Ontario.



STUDENT SUPPLIES

Effective May 14, 1982, the exemption available on the purchase of student supplies is removed. Items becoming taxable include:

- blank exercise and workbooks
- loose-leaf paper
- books for drawing
- music manuscript paper
- school bags and satchels



PERSONAL HYGIENE AND HOUSEHOLD CLEANING ITEMS

Effective May 14, 1982, the exemption on purchases of personal hygiene items and household cleaning items is removed.

Tax now applies to the purchase of the following items:

- babies' skin care preparations
- facial tissue
- personal deodorants
- sanitary pads and tampons
- shaving soaps and creams
- toilet soap and hand cleaning preparations
- toilet tissue
- toothpaste, tooth powder, denture cleaners, denture adhesives, non-electric toothbrushes, dental floss
- dust and spot removers
- laundry bleaches, starch, blueing, pre-soaks, rinses, fabric softeners, borax and all other preparations for laundering clothes
- polishes, waxes and conditioners for floors and furniture
- powders and liquids for cleaning walls, floors, tiles, glass, metal, cooking utensils, ovens, sinks, rugs, upholstery, toilet bowls, drain and septic tanks
- shoe polishing and cleaning preparations
- soaps and detergents



HOUSEHOLD PETS

Effective May 14, 1982, the retail sales tax exemption on animals sold as household pets, including birds, fish and reptiles, is removed.

Purchases of livestock remain exempt. Livestock means cattle, sheep, goats, hogs, horses, mules, ponies, donkeys and bees.



CANDY, CONFECTIONS, SOFT DRINKS AND SNACK FOODS

Effective May 14, 1982, the exemption on purchases of candy, confections and soft drinks individually priced and sold at 49¢ or less is removed. Tax now applies to these items if their total sale exceeds 20¢.

Regardless of where they are sold, certain types of snack foods such as potato chips, popcorn, salted nuts, pretzels, individual servings of ice cream and ice cream bars, are also subject to tax if their total sale exceeds 20¢.

Two 20¢ items, for instance, are to be treated as:

sale price	.40
7% x 40¢	.03
Total	.43

The same principle applies when several taxable items are sold with a number of exempt products. The total of the taxable items is taxed even though some of the individual items are priced at less than 21¢.

Chocolate sold for cooking purposes, unsalted nuts and ice cream purchased in bulk containers for home consumption will continue to be exempt.



FLOWERS, TREES, SHRUBS AND PLANTS

Effective May 14, 1982, the retail sales tax exemption on purchases of flowers, trees, shrubs and plants is removed.

The following are now taxable:

- trees
- shrubs, bushes, seeds (including bird seed), seedlings, cut flowers and plants
- bulbs for growing plants or flowers
- growing plants, flowers and the containers in which they are growing.

The tax applies to amounts charged by an Ontario florist to customers for delivery of flowers, wreaths, etc., to points within Ontario, even though another Ontario florist makes the delivery.

Tax does not apply to amounts received by an Ontario florist who makes deliveries according to instructions received from a florist outside Ontario. Tax does not apply where an order is placed in Ontario and delivery is made outside Ontario.

These items are still exempt when purchased for resale or use in the business of farming, provided the supplier is given a purchase exemption certificate.



CLOTHING PATTERNS AND TEXTILES

Effective May 14, 1982, the exemption on purchases of clothing patterns and textiles, that is, cloth, fabric, trim, ribbon, piping or lace sold for domestic use is removed.



DISPOSABLE ITEMS USED IN HOTELS AND MOTELS

Effective May 14, 1982, the retail sales tax exemption on disposable items used in the business of providing transient accommodation is removed.

The following are now taxable:

- bar soap
- disposable combs
- facial tissue
- matches
- paper bath mats
- paper ice buckets
- paper laundry bags
- paper shoe shiners
- sani bags
- sanitary covers for glasses
- sewing kits
- shower caps
- soap flakes
- toilet seat strips
- toilet tissue



BUILDING MATERIALS FOR CAPITAL WORKS (MUNICIPALITIES, LOCAL SERVICES BOARDS AND VOLUNTEER GROUPS)

Effective May 14, 1982, the tax exemption available to municipalities, local services boards and volunteer groups on the purchase of materials which become part of capital works is removed. All items becoming part of capital works purchased, rented or leased on or after this date are subject to retail sales tax at the 7% tax rate. The provision for refund of tax paid on asphalt and ready-mix concrete will not apply to deliveries made after May 13, 1982.

Construction contracts entered into on or after May 14, 1982 must be tendered on a tax-included basis.



BUSES FOR PUBLIC TRANSPORTATION

Effective May 14, 1982, the exemption is no longer provided on the purchase and repair of buses used for public transportation within a municipality.



STREET FLUSHERS AND STREET SWEEPERS

Effective May 14, 1982, the exemption available to municipalities, local services boards, volunteer groups, universities or public hospitals on the purchase and repair of street flushers and street sweepers is removed. Fire-fighting vehicles remain exempt.



BUILDING MATERIALS FOR CONSTRUCTION CONTRACTS (SCHOOLS, SCHOOL BOARDS, UNIVERSITIES AND HOSPITALS)

Effective May 14, 1982, the exemption available on the purchase of materials which become part of real property owned by a school, school board, university or public hospital is removed. Tax at 7% now applies to all purchases of building materials used in construction contracts.

Construction contracts entered into on or after May 14, 1982 must be tendered on a tax-included basis.

Patient care equipment purchased for use by public hospitals continues to be exempt.



CLASSROOM SUPPLIES AND EQUIPMENT (SCHOOLS, SCHOOL BOARDS AND UNIVERSITIES)

Effective May 14, 1982, the exemption allowed on classroom supplies and equipment purchased by schools, school boards and universities is removed. All items purchased, leased or rented by the above bodies are subject to retail sales tax at the 7% tax rate.



MISCELLANEOUS ITEMS

Effective May 14, 1982, the retail sales tax exemption on the following items is removed:

- thermal insulation materials
- storm windows and storm doors
- heat pumps, heat recovery units, chillers
- solar cells and solar furnaces
- windmills and wind-powered generators
- timer-controlled thermostats
- wood-burning stoves and furnaces
- wind deflectors for trucks
- household smoke alarms



CONTRACTORS—FIXED-PRICE CONSTRUCTION CONTRACTS

Where a contractor has entered into an *irrevocable fixed-price* or *lump sum* construction contract with a school, university, hospital, municipality, local services board or volunteer group prior to May 14, 1982, the tax which must be paid on purchases after that date may be refunded. A claim for this tax refund must be submitted by the contractor within three years of the date of tax payment.

There is no provision for tax refund on any other type of contract.



SELF-BUILT SOLAR HEATING SYSTEMS—REBATE EXPIRY

Effective May 14, 1982, the rebate program for self-built solar heating systems is terminated. The rebate was available for tax paid on items directly incorporated into a solar heating system.

Individuals who purchased taxable parts and materials on or before May 13, 1982 to build their own solar heating systems are eligible for a rebate of the tax paid to a maximum of \$700 after the system is completed. Applications for this rebate must be made within three years of the tax payment.

Parts and materials purchased on or after May 14, 1982 do not qualify for the rebate of the tax paid.

EFFECTIVE JUNE 14, 1982



TRANSIENT ACCOMMODATION—TAX REDUCED TO 5%

Effective June 14, 1982, retail sales tax on charges for transient accommodation will be reduced from 7% to 5%.

The billing day commencing anytime on June 13, 1982 and ending June 14, 1982 attracts the 7% tax rate. The billing day commencing on or after June 14, 1982 attracts the 5% rate.



AMERICAN PLAN—5% TAX RATE

Some establishments providing transient accommodation operate under the American Plan. Under this plan, the purchaser is charged a single rate for both accommodation and meals.

Effective June 14, 1982, establishments providing transient accommodation under the American Plan will be required to collect tax at the 5% rate on the single rate charged for both accommodation and meals. The current formula for the collection of sales tax on American Plan charges will no longer be valid.



PREPARED FOOD PRODUCTS PROVIDED BY EATING ESTABLISHMENTS — 7% TAX RATE

Effective June 14, 1982, 7% retail sales tax will apply to the price charged on all prepared food products provided by eating establishments regardless of whether the item is consumed on or off the vendor's premises. At the same time, the 10% retail sales tax rate charged on prepared meals sold at a price of over \$6.00 will be removed. The exemption for prepared meals sold for \$6.00 or less will also be removed.

Prepared food products include meals, lunches or other arrangements of food and non-alcoholic beverages such as coffee, tea, milk, soft drinks or juice sold with or without food.

An eating establishment is a place where prepared food products are provided. It may be stationary or mobile and includes:

- restaurants
- drive-in restaurants
- dining rooms
- cafeterias (includes schools and universities)
- lunch counters
- private or social clubs
- cocktail lounges
- trains, airplanes
- pizzerias
- coffee shops
- coffee wagons
- caterers
- vending machines
- lodging houses
- Royal Canadian Legion halls
- convention centres
- delicatessens
- snack bars at places such as fairs, exhibitions, sporting events, cinemas, theatres, grocery stores, taverns, bars
- similar places or establishments where prepared food products are provided.

All eating establishments must be registered vendors who collect retail sales tax on the full amount charged to customers. Most eating establishments concerned will already have a vendor permit. If not, an application may be obtained from your local Retail Sales Tax district office.

Prepared food products do not include liquor, beer or wine. These items remain taxable at the 10% rate. If these items are served with prepared food products, tax must be applied on:

- prepared food products — 7% of the price charged
- liquor, beer or wine — 10% of the price charged.

Tax does not apply on prepared food products *provided* to:

- patients in a public hospital
- residents of nursing homes and homes for the aged
- anyone by a registered religious, charitable or benevolent organization at no charge.

Where any of the above establishments *sell* prepared food products through a cafeteria, vending machine, etc., tax applies. Schools and universities that charge for prepared food products at the beginning of the term are required to collect 7% retail sales tax on such amounts.

The following illustrations further explain the application of retail sales tax on prepared food products. Snack bars selling coffee, tea, hot dogs, donuts and cigarettes:

Illustration #1		Illustration #2	
1 hot dog	\$1.25	1 coffee	.40
1 coffee	.40	1 pkg. cigarettes	\$1.10
	<u>\$1.65</u>		<u>\$1.50</u>
7% x \$1.65	.12	7% x .40	.03
Total	<u>\$1.77</u>	Total	<u>\$1.53</u>

Restaurants providing full course meals, liquor, beer and wine:

Illustration #1		Illustration #2	
2 steak specials		2 steak specials	\$11.90
@ \$5.95	\$11.90	2 bottles of beer	3.00
2 glasses of milk	1.00		<u>\$14.90</u>
	<u>\$12.90</u>	7% x \$11.90	.83
7% x \$12.90	.90	10% x \$3.00	.30
Total	<u>\$13.80</u>	Total	<u>\$16.03</u>

Pizzerias, Chinese restaurants and others providing prepared food products for take-out and home delivery:

Illustration #1		Illustration #2	
Delivery*		Pick-up	
large pizza	\$8.00	small pizza	\$4.50
delivery charge	.50	1 can of soft drink	.40
	<hr/>		<hr/>
	\$8.50		\$4.90
7% x \$8.50	.60	7% x \$4.90	.34
	<hr/>		<hr/>
Total	\$9.10	Total	\$5.24
	<hr/>		<hr/>

*Delivery charges are part of the fair value of the food order and subject to tax.



LABOUR CHARGES FOR INSTALLATION, REPAIR AND MAINTENANCE
OF TANGIBLE PERSONAL PROPERTY – 7% TAX RATE

Effective June 14, 1982, the labour charges for installation, repair and maintenance of tangible personal property will be taxable. This includes charges for alterations to clothing. Maintenance contracts for the repair of computers, office equipment, appliances, motor vehicles, etc., whether segregated or not, are also taxable.

All persons providing installation, repairs and maintenance of tangible personal property must be registered vendors who collect retail sales tax on the full amount charged to customers. Most of the persons concerned will already have a vendor permit. If not, an application may be obtained from your local Retail Sales Tax district office.

All vendors doing this type of work may purchase tax exempt the materials and parts that become part of the installed or repaired article. For this purpose, a purchase exemption certificate must be provided to suppliers of such materials and parts.

Where persons install, repair or maintain their own goods, they must pay tax on the materials, but are not required to account for tax on their own labour.

Labour charges remaining exempt are:

- repair and maintenance of real property
- installation of goods that become real property upon installation
- repair and maintenance of goods where replacement parts are not subject to tax
- repair or reconditioning of goods purchased for resale by vendors.

NON-BUDGET ITEMS

- ADVERTISING SUPPLEMENTS AND ADVERTISING INSERTS
- RENTAL OF FIXTURES
- CARPETS AND BROADLOOM
- REFUSAL TO PAY TAX
- TOBACCO TAX MESSAGE



ADVERTISING SUPPLEMENTS AND ADVERTISING INSERTS

Effective May 14, 1982, advertising supplements and inserts (sales catalogues, flyers and pamphlets) available or distributed separately from a newspaper (in store, door to door), as well as with a newspaper, are subject to retail sales tax.

Supplements and inserts available or distributed separately from a newspaper continue to be taxable. Supplements and inserts distributed *only* with a newspaper remain exempt.

The purchaser of taxable supplements and inserts is required to pay tax on their cost.



RENTAL OF FIXTURES

The term “fixture” means chattel or other personal property which after installation is firmly attached to land, buildings or structures in a permanent position. Items such as hot water heaters, furnaces, central air conditioners, machinery, electrical wiring, pipes, valves and fittings become fixtures upon installation.

The definition of “tangible personal property” is amended to exclude fixtures rented separately from the real property to which they are affixed.

Effective May 14, 1982, rental charges for fixtures rented separately from the real property to which they are affixed are not subject to retail sales tax. This applies to rental payments required to be made on or after May 14, 1982. The rental of fixtures will be treated the same as rental of real property for retail sales tax purposes.

Unless fixtures, such as production equipment, are exempt under the provision of the Retail Sales Tax Act, those providing fixtures for rental are required to pay tax on:

- the cost of items purchased on or after May 14, 1982
- the fair value of fixtures as of May 13, 1982 purchased exempt for rental prior to May 14, 1982.



CARPETS AND BROADLOOM

The installation of wall-to-wall carpeting permanently installed and attached by gluing, tacking, stapling, etc., becomes real property. Tax is applied on the installer's cost and included in the price quoted. Labour costs for the installation of items becoming real property do not attract retail sales tax.

Carpeting or rugs not permanently attached or installed, such as scatter rugs, remain tangible personal property and subject to tax at the retail purchase level.



REFUSAL TO PAY TAX

Effective May 14, 1982, a vendor may no longer accept a refusal from a purchaser to pay the tax applicable at the time of sale, without being liable for the tax not collected plus penalties.

Vendors must inform purchasers who might wish to renege in paying tax that retail sales tax must be collected at the time of sale. Where the purchaser believes tax should not be paid, application may be made to your local Retail Sales Tax district office. A refund will be made if the tax has been paid in error.

TOBACCO TAX MESSAGE

- **Wholesalers of tobacco products must be registered with the Ontario Government and hold a valid wholesale dealer's permit.**
- **It is your responsibility to ensure your supplier has a valid permit. The permit number should be displayed on all invoices and correspondence.**
- **Purchasing cigarettes and other tobacco products from a supplier without this permit can result in substantial tax assessments against you. In the past 18 months, 120 retailers have been assessed tobacco tax of almost \$615,000.**
- **If you are in any doubt about the status of your supplier, call the Motor Fuels and Tobacco Tax Branch at (416) 965-5407 or 965-3889.**

Retail Sales Tax district offices and the areas served by each are listed below:

BELLEVILLE

208 Dundas St. E.
K8N 1E3

Regional Municipality of Durham
— Town of Newcastle
County of Frontenac
Provisional County of Haliburton
County of Hastings
County of Lennox & Addington
County of Northumberland
County of Peterborough
County of Prince Edward
County of Victoria
(613) 962-9108
Zenith 71820

HAMILTON

119 King St. W.
P.O. Box 2112
L8P 4Z9

County of Brant
Regional Municipality of Halton
Regional Municipality of Peel
Regional Municipality of
Hamilton-Wentworth
(416) 521-7504
Zenith 71440

KITCHENER

449 Belmont Ave. W.
N2M 1N2

County of Huron
County of Perth
Regional Municipality of Waterloo
County of Wellington
(519) 576-8400
Zenith 71020

LONDON

310 Wellington Rd.
N6C 4P4

County of Elgin
County of Lambton
County of Middlesex
County of Oxford
(519) 433-3901
Zenith 62350

NORTH BAY

1500 Fisher St.
Northgate Plaza
P1B 2H3

District of Cochrane
District of Nipissing
District of Parry Sound
District of Temiskaming
(705) 474-4900
Toll-Free 1-800-461-1564
Zenith 71420

ORILLIA

19 Front St. N.
P.O. Box 670
L3V 6K5

County of Bruce
County of Dufferin
County of Grey
District Municipality of Muskoka
County of Simcoe
Regional Municipality of Durham
— Township of Brock
— Township of Uxbridge (Scott)
Regional Municipality of York
— Township of Georgina
— Township of East Gwillimbury
(705) 325-9587
Zenith 71830

OTTAWA

1355 Bank St.
K1H 8K7

Regional Municipality of Ottawa-
Carleton
United Counties of Stormont,
Dundas & Glengarry
United Counties of Prescott and
Russell
United Counties of Leeds and
Grenville
County of Lanark
County of Renfrew
(613) 523-9760
Zenith 71400

SUDBURY

199 Larch St.
Ontario Government Building
P3E 5M7

District of Algoma
District of Manitoulin
District of Sudbury
Regional Municipality of Sudbury
(705) 675-4351
Zenith 71850

THUNDER BAY

435 James St. S.
P.O. Box 5000
Ontario Government Building
P7C 5G6
District of Kenora
District of Rainy River
District of Thunder Bay
(807) 475-1681
Zenith 72310

TORONTO

2300 Yonge St.
10th Floor
M4P 1H6

Regional Municipality of Durham
— City of Oshawa
— Town of Ajax
— Town of Pickering
— Town of Whitby
— Township of Scugog
— Township of Uxbridge
(Uxbridge)
Regional Municipality of York
— Town of Aurora
— Town of Markham
— Town of Newmarket
— Town of Richmond Hill
— Town of Vaughan
— Town of Whitchurch-Stouffville
— Township of King
Regional Municipality of
Metropolitan Toronto
(416) 487-1361
Zenith 71800

WELLAND

76 Division St.
L3B 3Z7

Regional Municipality of
Haldimand-Norfolk
Regional Municipality of Niagara
(416) 732-1318
In St. Catharines and Niagara
Falls, call
(416) 688-1360
(416) 688-1368
Zenith 71410

WINDSOR

250 Windsor Ave.
N9A 6V9

County of Essex
County of Kent
(519) 252-4404
Zenith 71450